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Exhibit 63



ISRAEL MINISTRY OF FOREIGN AFFAIRS

The Involvement of Arafat, PA Senior Officials and Apparatuses in Terrorism against Israel: Corruption and Crime

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Introduction

This report brings some very grave facts to your attention. Israel's military operation "Defensive Shield" has obtained clear-cut hard evidence that the Palestinian Authority under Yasser Arafat is a supporting encouraging and actively operating body of terror. Arafat and his close aides are directly responsible for the cold-blooded murder of Israeli citizens.

The main findings of this report are:

1. Yasser Arafat was personally involved in the planning and execution of terror attacks. He encouraged them ideologically, authorized them financially and personally headed the Fatah Al Aqsa Brigades organization.
2. The closest aides to Arafat responsible for terrorist activity are head of General Intelligence Tawfik Tirawi and financier Fouad Shubaki, who operated the ongoing logistics of financial aide and support of terrorism actions.

3. The Al Aqsa Brigades organization, headed by Arafat, was put under the direct authority of Marawan Barghouti, who had no compunction in using women and even children to execute terrorist activity, which killed hundreds of Israelis.
4. Arafat and his men used the funds donated to them by other countries, including the European Union, to finance terrorist activity.
5. The Palestinian Authority allocated vast sums of money from its budget to pay salaries to Fatah terrorists (45 million dollars a month from Arab countries, 9 million dollars a month from the European Union).
6. The Palestinian Authority established close links with the "forces of evil" - Iran and Iraq. These countries supplied funds and terrorist warfare equipment to the Authority.
7. Syria supplied the Hamas and Islamic Jihad with the funds, enabling them to found and operate the terrorist infrastructure in Jenin.
8. Saudi Arabia financially supported the families of terrorists, including families of suicide bombers who carried out mass murder attacks in Israel.
9. The Palestinian Authority armed itself with weapons in complete violation of all agreements signed with Israel. At the head of the arms smuggling stands Fouad Shubaki.
10. Arafat's headquarters took great pains in encouraging the Israeli Arab population to join the war of violence and terror against Israel.
11. The most prominent criminal activity carried out by the Palestinian Authority has been the stealing of Israeli vehicles and forging of documents, in collaboration with Israeli Arab citizens.
12. Arafat's compound in Ramallah became the central command post for the terrorist activity and suicide bombing. The "security forces" headed by Tawfik Tirawi and directly responsible to Arafat himself, initiated, planned and saw to the finest details of every action taken against Israel and Israelis.
13. Corruption in the Palestinian authority. Economic management by means of monopolizing and unjust division of foreign funds among the various stratas of the Palestinians society. Embezzlements of payments and unjust collection of public resources transferred to private accounts of high ranking authority officials.
14. In this activity there has been complete cooperation between all the terror organizations - the Fatah, Hamas and Islamic Jihad.
15. Jenin became the "haven of suicide bombers" in the West Bank, with other towns following its lead.
16. During Israel's campaign to eradicate terrorism, the terrorists used the civilian population as a human shield. They operated within private homes, holding their own people hostage. They blew up houses and property, laid mines and booby-traps, in the hope of afterwards accusing Israel of the devastation and destruction.

17. The Fatah and Arafat's intelligence network intimidated and maltreated the Christian population in Bethlehem. They extorted money from them, confiscated land and property and left them to the mercy of street gangs and other criminal activity, with no protection.

ALL ALLEGATIONS MADE IN THIS REPORT ARE THROUGH ISRAELI INTELLIGENCE AS A RESULT OF THE ISRAELI CAMPAIGN TO ERADICATE THE SOURCES OF TERROR IN THE AREA UNDER THE CONTROL OF THE PALESTINIAN AUTHORITY.

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Executive Summary

1. During Operation Defensive Shield, the IDF captured numerous documents (only some of which have so far been examined) and obtained much information from the questioning of captured terrorists. Both the documents and the information point at the direct and indirect involvement of Arafat, the Palestinian Authority (PA) and the Palestinian intelligence apparatuses in the

operation of a well oiled system which engaged in the execution of terrorist attacks against Israel.

2. Throughout the years of the political process with Israel, Arafat preserved and developed the tool of violence (the non-eradication of the Hamas terror infrastructure, development of the military capabilities of the security forces and consolidation of the Tanzim as a means for activating the street, arming and preparing it for "D-Day"). Arafat also employed terrorism against Israel, in varying intensity, whenever he felt that the Oslo track was diverting from its course - as defined by the Palestinians. This, in the framework of Arafat's strategic concept which views terror as a legitimate tool for obtaining Palestinian national goals. Arafat, throughout his years of leadership, systematically combined political negotiations and violence, while determining the balance between the two according to the circumstances.

3. During the present confrontation, Arafat's employment of terrorism reached new peaks, while refraining from restraining the terror activity directed by the various organizations (Islamic and Fatah), he gave terrorism "free reign" (by releasing senior terrorists from prison and refrained from carrying out minimal counter-terrorist activity) and even encouraged terrorism (inciting the Palestinian population - the "Shahid speeches", financing and fostering terrorists).

4. The involvement of the PA and its leader Arafat, as evidenced in the documents and from questioning of captured terrorists, has three dimensions: The ideological dimension, which essentially means the sanctioning of lethal terrorist attacks (viewed as quality attacks which serve the PA's goals) and the use of terrorism as an important tool in promoting the Palestinians' goals vis-a-vis Israel; the financial dimension, continuous financing of the terrorist infrastructure, personally approved by Arafat and carried out by the PA civilian institutions, the heads of the PA security apparatuses and Arafat's associate (Fuad Shubaki); the practical dimension, involvement of the PA intelligence apparatuses, led by the General Intelligence, in direct and indirect assistance to the terror infrastructures and activities, including in the perpetration of lethal terrorist attacks inside Israel.

5. The captured documents prove unequivocally that the Fatah organization and the Al Aqsa Martyrs Brigades are one and the same and they cannot be separated. The documents clearly indicate that not only are the Al Aqsa Martyrs Brigades a pseudonym for terrorist attacks carried out by Fatah, but they are also a terrorist apparatus, which up until IDF operation Defensive Shield was in the process of institutionalization and intensification of its suicide and murderous attacks. The captured documents demonstrate that Arafat and other senior Fatah officials (Marwan Barghouti is of note) are the leaders of the Al Aqsa Martyrs Brigades and they finance its terror activities. According to one of the documents, Arafat is well aware of the negative implications of the terrorist attacks carried out by the Al Aqsa Martyrs Brigades at the time of General Zinni's stay in Israel, and the inclusion of the Al Aqsa Martyrs Brigades in the US State Department's list of terror organizations. Therefore, he tried to deny that Fatah and the Al Aqsa Martyrs Brigades are identical, and distanced himself from them.

6. The terror supporting policy adopted by the PA enabled all terror groups, those directed affiliated to Fatah as well as opposition groups, to broaden and consolidate their infrastructure in the PA areas, while exploiting the civilian population for the terror infrastructure.

7. As in the past, now too, the terrorist activities inspired by Arafat are directed first and foremost against defenseless civilians. These attacks are designed to harm Israelis and Jews wherever they are, although there are victims of other nationalities too, including Arabs (such as Israeli Arabs) and foreign citizens of various nationalities.

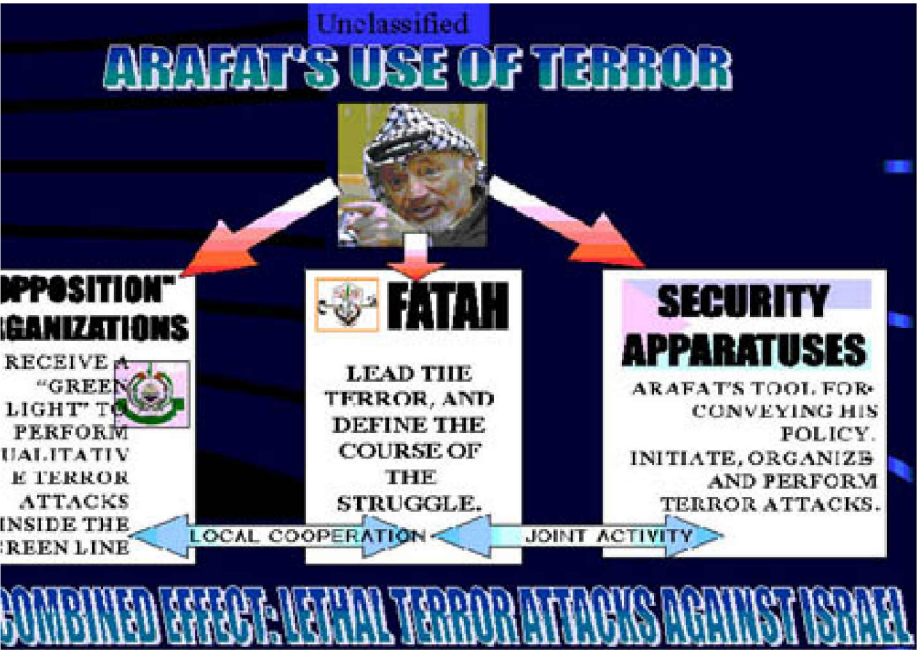
8. In addition, corruption is rampant in the PA, it includes irregularities in the administration, management of the Palestinian economy by monopolies which enable the financial rewarding of senior PA officials and their families. In addition, the distribution of PA money amongst the Palestinian population was characterized by inequality and created large gaps between the majority of the Palestinian population and senior PA officials who enjoy a high standard of living, the expropriation of lands, and altering verdicts by bribery and threatening the lives of judges.

The Involvement of Arafat, PA Senior Officials and PA Security Apparatuses in Terrorism against Israel, Corruption and Crime

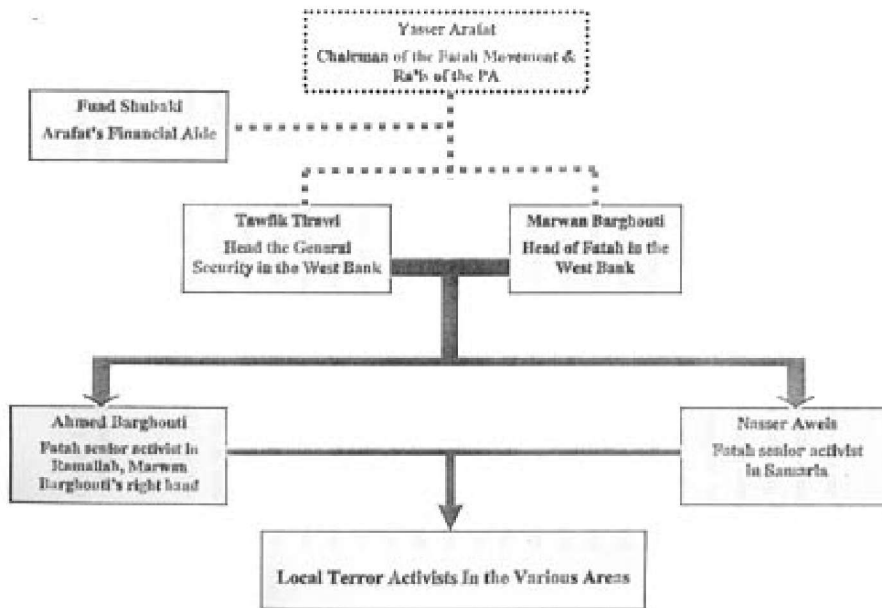
General

1. During Operation Defensive Shield, the IDF captured numerous documents (most of which have not yet been thoroughly examined) and at the same time, initial information has been obtained from the questioning of terrorists arrested during the operation. From the information which has already accumulated, the clear involvement of some senior PA officials - led by Arafat and the apparatuses - in direct and indirect terror activity has been unveiled. Arafat's strategic choice to take the route of terror for implementation of his political goals, was translated into practice by the formulation of the ideological dimension by Arafat and his senior officials, upon which the terrorist activity was based and thus gave a "license" to terrorism as an important component of PA policy in the struggle against Israel. This, at the same time as ongoing financing of the terror infrastructures with Arafat's personal approval and with the involvement of the PA intelligence apparatuses led by the General Intelligence, in direct and indirect financial aid to the terror infrastructures and activities, including for the perpetration of lethal terrorist attacks inside Israel.

2. The characteristics of this strategy, of the employment of terrorism and the connection between the PA leaders and terror activists are illustrated in the following drawings:



Fatah Operational Infrastructure in the West Bank



Chapter I - The Ideological Dimension - Education, Incitement and Support by Senior PA Officials

1. Arafat and the PA sanction the use of terrorism as an important component in the struggle against Israel. The terrorist attacks, and especially those deep inside Israel, are defined as "quality attacks" that "help and support" the PA and its security apparatuses. Thus, Arafat encourages the use of terrorism as a tool for promoting his goals, not just by the "Fatah" (in its various names: "Al Aqsa Martyrs Brigades", "Tanzim", "Battalions of the Return") of which he is head, but also by the Islamic opposition organizations (the "Palestinian Islamic Jihad" [PIJ], and "Hamas"). The legitimacy given by Arafat enabled the Fatah to become the dominant force leading the terrorism against Israel since the beginning of 2002.

2. The PA did not make any attempt to instill the need for a political process and for consolidating it in practice, in order to achieve the "peace of the brave". Thus, for example, the Palestinian education institutions in the PA not only did they refrain from educating the Palestinian youths for the goals of peace and coexistence, but the messages which they transmitted led to a deepening of hatred and the inflammation of passions. The result was the involvement of Palestinian youths in the Intifada, and in various instances, readiness on their part to carry out suicide attacks. Of significance in this connection are the words of a senior Fatah/Tanzim activist from Jenin refugee camp, Abd Al Karim Aweis, who directed mass murder attacks inside Israel and was arrested by the IDF on 30 March, that as a General Intelligence Apparatus activist in the PA, he felt a need to act and encourage others to act in the "spirit of the words" of Arafat and Marwan Barghout.

3. A statement of policy published by Arafat's bureau was sent to Arab notables in Israel through the "Liaison Committee" with Israeli Arabs, which operates from Arafat's bureau. The statement, which bears the emblem of the Palestinian Authority (PA) and the President's Bureau, was issued on September 30th 2001 to mark the Intifada's first anniversary, it is concerned mainly with the incitement of Israeli Arabs to take part in the violent events. The statement is full of vile expressions of hatred towards Israel and its citizens, who are called "Zionist gangs", "the robbers of the twentieth century", "the

killers of children, women and the elderly", "creators of international terror", "land plunderers" to quote a few examples.

4. Over and beyond that, the statement reflects the absence of willingness by Arafat and the PA to recognize Israel's right to exist, and the PA's aspiration to establish "one homeland" belonging to "one people" on Palestine soil with Jerusalem as its capital. In the statement there is no trace of any mention of aspiration for peace and mutual co-existence, of the peace process, of the Oslo accords or the 1967 borders.

5. This is the language and terminology used by Arafat and the PA vis-a-vis their own people, in total contrast to the "positive" messages directed to the US and to Europe (the content and the style of the article signed by Arafat in the New York Times on February 3rd 2002, are significantly different from those in the statement of policy). It is of note that similar expressions of hatred and incitement that reflect refusal to accept Israel's existence and encouragement of violence and terrorism as a means for advancing the Palestinian strategic aims are strongly imbued in the educational system of the Palestinian Authority (which receives funds from the European Union) as well as in the Palestinian media, in literature and the various Palestinian cultural symbols.

6. Following is a statement transferred from Arafat's bureau to Israeli Arabs.

*The Palestinian Liberation Organization
The Palestinian National Authority
The President's Bureau*

**In the Name of Allah the Compassionate
and Merciful**

**A Statement Made on Behalf of the
Liaison Committee, Marking the First
Anniversary of the Al Aqsa Intifada.**

Lo, the great crowd of our Palestinian people clutching [its land], standing fast and patient, whose roots are in the land of the fathers and grandfathers. You, with your steadfast determination and adherence [to the land] ever since Allah ordered so, [for] more than half a century, fighting the conqueror who plunders our land and homeland. It was fated that you and the next generations, until the day of resurrection of the dead, shall keep this homeland. You keep this deposit, which is [hanging] on your neck and the neck of your grandchildren, because you are the defenders and guardians [of the homeland] and live in it, and you are its original and lawful owners, and you are its heirs until the day you are resurrected. With you and with your help, we pay homage to the first anniversary of the spark of the Intifada... the blessed Al Aqsa Intifada in which our people is waging in the liberated territories and occupied territories, and abroad around the world, stressing the strength of the struggle treasured in its soul to explode the spark of anger accumulating at the face of the robbers of the twentieth century, the creators of international terrorism, the killers of children, women and the elderly, plunderers of land and livelihood, who destroy and burn the soil,



Page 1

Click to enlarge original document in Arabic



Page 2

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the seeds and the rocks.

Indeed, the people, with all its sects and groups, started the Intifada everywhere it could. The ties have interlaced, that connect the sons of Jerusalem and the West Bank with those of the Gaza Strip and those of the cities occupied since 1948 [i.e. the Israeli Arab citizens], who have always been and forever will be the natural depth and fortified wall of our Palestinian people and its just cause. The [Palestinian] people has indeed started its Intifada in order to pave, with its pure and stainless blood, the pavements and alleys and squares of the holiest of holy places, the capital of the independent Palestinian state.

The man and the rock, the bird and the tree, have started the Intifada in the allies of Jerusalem and its holy places, the mountains of the West Bank and its valleys, the shores of Gaza and its refugee camps, the planes and hills and peaks of Palestine, the cities and villages of Palestine occupied since 1948 [i.e. Israel], the supreme one, withstanding its bitterness, holding fast and taking roots. Yes, we will draw up with blood the map of the one homeland ["al watan al wahad"] and the one people ["al shaab al wahad"]. We will indeed outline the marks of the nobility and national coping with the policy of discrimination, racism, land appropriation, deportation and intended expulsion, taken against the Palestinian person, in the absence of the international community [and while maintaining] false justice.

Today, we expect absolutely nothing of the rulers of the [Arab] nation, which is overcome with sleepiness and bound by silence and overwhelmed by cowardice. We are expectant and we follow with dreamy nationalist eyes our families and great people in the towns and villages of the steadfast resistance of 1948. For they share the cause and the fate, share the one national dream. The Al Aqsa Intifada and independence have fulfilled the unity and national alliance of all the sons of the determined Palestinian people, despite the blocks created by the occupation, despite all the acts of massacre committed by the Zionist gangs since the 1948 disaster [the "Naqba"]. To commemorate this great memory, we now emphasize, together and equally, the ongoing will of the one people, the life of the noble liberty, despite the policy of suppression and racial discrimination taken against us by the bullies of the worst of occupiers ever known in history, in order to express in its rage the historical exploitation that came upon us since the beginning of modern history by the stone Intifada, the Intifada of the hidden rage...

Today, no voice can overcome the sound of the Intifada. It will continue to be the Intifada of the one people and one outburst of blood... it will continue to be a prolonged Intifada of rage... a prolonged Intifada of independence... an Intifada of innumerable generations which will continue until our supreme national dream is fulfilled. Since we are the lawful owners of the land and the truth, of the independent homeland and independent state. Therefore, with you and with your help, and by the respectable members of our Arab Islamic nation, and by the people of freedom in the world, we will establish our independent Palestinian state whose capital shall be the holy Jerusalem... with you and with your help we shall liberate our holy places, the Church of the Nativity and the Al Aqsa Mosque, in order for the Palestinian flag to fly free in the sky of Jerusalem, cradle of the heavenly religions, land of the apostles, the land where the people shall convene in the Day of Judgement.

Glory and eternity to our innocent casualties,

*Quick recovery to our wounded heroes,
 Liberty to our imprisoned heroes,
 Disgrace and contempt to the agents [collaborators] and those who were
 corrupted,
 This is a revolution until victory.*

The Liaison Committee
 Presidential Bureau

Sunday
 30 September 2001

Chapter II - The Financial Dimension - The Financing of Terrorism by PA Officials

1. The PA and its leader Arafat engaged in the financing of the terrorist organizations under its patronage and enjoyed its backing, inter alia, by the money of the "donor states", instead of engaging in the construction of the PA and in its preparation towards possible future independence.

2. Since the end of 2000, Arab states have transferred to the PA monthly financial aid of \$45 million for financing the current budget (since April 2002 this sum was increased to \$55 million). The EU transfers to the PA approx. \$9 million (10 million euros) monthly and thus it finances approx. 10% of the PA's current budget. In the PA's budget, which stands at approx. \$90 million per month, the salaries constitute the main part - approx. two thirds of the budget. The implication is that most of the salaries of the PA employees earners are financed by foreign elements.

3. A perusal of the files of the General Security Apparatus Organization and Administration Department reveals that the PA leadership gave legitimacy to the granting of salaries to hundreds of activists in the Fatah and in other organizations operating in a new framework in early 2001 in the PLO - in integrating them in the list of National Security employees, despite the fact that in practice they operated in the framework of local branches of the Tanzim, the Al Aqsa Martyrs Brigades and other organizations in the PA. Their integration in the list of PA employees enabled them to continue to engage in the perpetration of attacks against Israel, without having the worry about problems of livelihood.

4. Moreover, Arafat was personally involved in the allocation of money to terror activists, according to documents captured during Operation Defensive Shield. The money is given to those defined as "fighting brothers", some known to be Fatah activists involved in murderous terror attacks in which Israelis were killed. Many captured documents point to the manner of budget approval. The commander in the field transfers a list of "recommended activists" for receiving of grants, Arafat approves, even though in most occasions, he significantly cuts the requested sum. For example:

a. Arafat approved financial compensation of \$4000 to four Tanzim activists who were injured during terrorist activity against Israel.

b. Atef Abayyat (Abu Jala'if) who until his death on 18 October 2001, headed the main terror network in the Bethlehem area was mentioned in a list of 24 Fatah activists, each of which received \$300 from Arafat via the Fatah branch secretary in Bethlehem, and in a list of 9 families of Fatah commanders which

were killed Arafat gave financial aid via the Bethlehem Fatah branch.

5. All the instructions for carrying out the payments are transferred from Arafat to the PA's "Finance Ministry" and senior intermediaries: Marwan Barghouti (senior Fatah/Tanzim official in the West Bank arrested by Israel in April 2002), Fa'ak Kana'an (head of Fatah in Tulkarm), Hikham Balawi (secretary of the PA's National Security Supreme Committee) and Fuad Shubaki (the PA's main financial official). In addition, the PA utilized extra budgetary funds (created from funds which accumulated from various PA activities, such as the import of oil and tobacco to its areas, for the financing of activities connected to the confrontation with Israel).

6. The documents are decisive proof of the role of Arafat and the PA in the systematic, institutionalized and ongoing financial support of the Fatah/ Tanzim/ Al Aqsa Martyrs Brigades terror infrastructures and activists.

Examples of Arafat's Financing of Terror Activists

Document no. 1

**The Palestinian Liberation Organization
The Palestinian National Authority
The President's Bureau**

To the Fighting President
Brother Abu Amar, may the Lord protect you,
Greetings,

I hereby request you to allocate financial aid in the sum of \$2500 for the following brethren:

1. Ra'ed el Karmi (*note: former commander of a group in the Fatah/Tanzim Tulkarm that masterminded the attack on the Bat-Mitzvah party in Hadera*).
2. Amar Qadan (*note: a senior activist of Presidential Security/Force 17 in Ramallah, involved in the activities of its operational cell*).



[Click to enlarge original document in Arabic](#)

Thank you,

Your son, Hussein al Sheikh
(*note: senior Fatah activist in the West Bank*)

(*Note: in Yasser Arafat's handwriting:*)

Treasury/Ramallah
Asslocate \$600 to each of them.
Yasser Arafat (*signature*)
(19/9/2001)

Document no. 2

20 JAN-02 SUN 16:01 FATAH
OFFICE FAX NO. 022985729
Sep 29'84 17:50 P.001
(*Note: this is a fax that was sent twice: the first time from Ra'ed el Karmi to Marwan Barghouti and the second time from Barghouti*

to Arafat.)

To fighter brother Abu al Kassam
(Note: Marwan Barghouti, head of the
Fatah/Tanzim in the West Bank)

Greetings,

Subject: Urgent Financial Aid

1. Jamil Hamad Adwan
2. Majid Yussuf Subhi Jarad
3. Mahmud Raleb Mahmud Altahel
4. Mansour Saleh Sharim
5. Subhi Yussuf Jarad
6. Iyad Abed Al Rahim Jarad
7. Hazem Wael Subhi Hetab
8. Ahmed Sameh Al Adrisi
9. Sami Mahmud Dib Sabeh
10. Iyad Nasser
11. Marad Mustafa Abed Al Rahman Abdu
12. Muhamed Sharif Zidan

(Note: these activists are known Fatah operational activists in Tulkarm,
who were involved in lethal attacks.)

Sincerely,

Your brother,

Ra'ed al Karmi

(Note: was head of the Fatah/Tanzim infrastructure in Tulkarm)

To Brother President Abu Amar, may the Lord protect him,

Greetings,

I request of you to order the allocation of a thousand dollars for each of the
fighter brethren.

Sincerely,

Marwan Al Barghouti

(Note: in Yasser Arafat's handwriting:)

The Treasury/Ramallah

Please allocate \$350 to each.

Yasser Arafat (signature)

7/1/2002

Document no. 3

**State of Palestine
(Fatah insignia)**

*The Supreme Movement Committee
Tulkarm Districts Branch*

*The Palestinian National Liberation Movement
Fatah*



[Click to enlarge original document in Arabic](#)

The Brother President Abu Amar, May God protect you

Please allocate the sum of \$2000 to each of the following fighting brothers.

For your handling.

(15 names including five who took part in shooting attacks in the Tulkarm district and one activist - Bilal Abu Amsa who participated in lethal attacks, including a shooting attack towards a border guard base on 11 September 2001 [2 border guard policemen killed and one wounded] and the murder of an Israeli in Baqa Al Gharbiyah on 31 May 2001)



Click to enlarge original document in Arabic

Your son, the General Secretary

Fa'ak Kana'an
(Head of Fatah in Tulkarm)
(Signature)

Note 1 in Arafat's handwriting and signature

Finance Ministry/Ramallah

A sum of \$800 should be allocated to each one

5.4.2001
(Signature)

Note 2 in handwriting

The Supreme Movement Committee
The brother Marwan Barghouti
(Signature)

The Main Office - Tulkarm - Telefax: 9-2975444

Fatah Office 8.4.2001 15:37, Fax No. 02-2885729

Financing of Fatah/Tanzim and Al Aqsa Brigades Infrastructures and Activities by Arafat and his Aides

(Summary of Captured Documents)

Ser. No.	Date	The Requester	Nature of the Request	The Approving Element	The Sum Approved